



Tracey L. Mihelic
Chief Counsel
Environment, Health and Safety
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September 3, 2004

VIA FEDERAL EXPRESS

Ms. Danielle Fidler
Attorney Advisor
Special Litigation and Projects Division
Environmental Protection Agency
1200 Pennsylvania Ave., N.W.
Washington, DC 20460
MC-2248A

Mr. Philip Milton
Chemical Engineer
Special Litigation and Projects Division (2248A)
U.S. Environmental Protection Agency
Ariel Rios Building, Room 3124 B
1200 Pennsylvania Ave., NW
Washington, DC 20460

Dear Ms. Fidler and Mr. Milton:

Thank you for all of your assistance with the corporate auditing agreement that INVISTA S.à r.l. ("INVISTA") has entered into with the U.S. Environmental Protection Agency ("EPA") (the "Agreement") as set forth in my July 28, 2004 letter to Robert Kaplan and your August 12, 2004 response. As we discussed at our meeting on August 16, 2004, INVISTA had three minor clarifications to your August 12, 2004 response. These are:

1. In my July 28, 2004 letter, I reference a Kinston, North Carolina, facility. This reference actually incorporates two sites, one in Kinston, North Carolina, and one in Kentec, North Carolina. Thus, there are actually twelve facilities newly acquired from E.I. duPont de Nemours and Company ("DuPont") in the United States that we would like the Agreement to cover. As we discussed, INVISTA has entered into an agreement to sell these two facilities which it anticipates will close at the end of the month. As a result, INVISTA has not scheduled any additional audits at these two facilities.

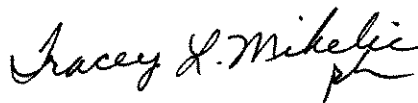
Ms. Danielle Fidler
Mr. Philip Milton
September 3, 2004
Page 2

2. According to Section A.3 of your August 12, 2004 letter, status reports are due on October 31, 2004, June 31, 2005, April 30, 2005, and July 31, 2005. As we discussed, we will report all findings of noncompliance discovered since the day the last report was filed through the 20th day of the month that the report is due, i.e., October 20, 2004, January 20, 2005, April 20, 2005, and July 20, 2005. This cut off date ensures sufficient time to prepare the report on the most recently discovered violations.
3. Under Section A.3 of the August 12, 2004 letter, you also state that EPA does "not intend to resolve violations until the conclusion of INVISTA's evaluation and submission of the final audit report." During our meeting, we clarified that during the interim, EPA will work with us as necessary to approve proposed corrective actions that will be implemented in accordance with the 60-day deadline in the EPA Audit Policy or any extensions granted to this deadline.

You have asked us to coordinate any contact with the Regions and the State regarding INVISTA's disclosures and any issues concerning correction of violations. We will continue to do so. As requested, I have attached the disclosures we have made to date to the Regions and the disclosures made to the Texas Commission of Environmental Quality.

If you have any questions, please contact me. I look forward to working with you.

Sincerely,



Tracey L. Mihelic

cc: Joe Coco
Vice President of Operations, INVISTA

Paul Kaleta
General Counsel, INVISTA

Sylvia Lowrance

Holly Cannon



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

AUG 12 2004

OFFICE OF
ENFORCEMENT AND
COMPLIANCE ASSURANCE

Via Facsimile and U.S. Mail

Tracey L. Mihelic
Chief Counsel
INVISTA S.à r.l
INVISTA Building
P.O. Box 2936
Wichita, KS 67201-2936

Dear Ms. Mihelic:

This letter responds to your letter of July 28, 2004, in which you outline INVISTA S.à r.l's (INVISTA) proposal for a corporate auditing agreement addressing eleven INVISTA facilities newly acquired from E.I. duPont de Nemours and Company (DuPont). We understand that INVISTA, a wholly-owned subsidiary of Koch Industries, Inc., finalized the acquisition of these facilities on April 30, 2004. The U.S. Environmental Protection Agency (EPA) encourages the conduct of company-wide or multi-facility audits in the acquisition context, and appreciates INVISTA's willingness to undertake this effort. Your proposal, as set forth in your July 28, 2004 letter is acceptable to EPA with some minor adjustments.

Primarily, per your discussion with Danielle Fidler on August 5, 2004, we request that INVISTA complete the audit of its facilities within a 12-month period and submit a final report to EPA by October 31, 2005. INVISTA has indicated that this deadline is acceptable.

The remainder of this letter responds to certain points you made in your July 28, 2004 letter that we have determined need clarification. This letter also outlines what information we will be requiring at the conclusion of this process.

A. Clarifications to Letter dated July 28, 2004

1. Summary of the INVISTA Proposal

INVISTA's July 28, 2004 letter and attached audit protocol proposes a comprehensive review of the INVISTA facilities for compliance with applicable federal, state, and local requirements. This letter also states that it may be necessary for INVISTA to develop detailed facility-specific audit protocols as the audit process moves forward in order to accurately reflect requirements applicable to an individual facility. Should INVISTA develop such facility-specific audit protocols, EPA requests that copies thereof be provided to the Agency once they are finalized.

2. Application of Audit Policy

a. Systematic Discovery

Based on the information provided in your letter, the environmental audits to be conducted by INVISTA appear to be consistent with Condition One of the EPA's *Incentives for Self-Policing: Discovery, Disclosure, Correction and Prevention of Violations Final Policy Statement* (Audit Policy), 65 Fed. Reg. 19,618 (April 11, 2000), namely that violations at INVISTA's facilities must have been discovered through either an environmental audit or a compliance management system. We note, however, that if any of the violations ultimately disclosed were not discovered through such a systematic review, those violations may not qualify for 100% relief from gravity-based penalties.

b. Prompt Disclosure

In accordance with EPA's interpretive guidance document ("Audit Policy Interpretive Guidance," dated January 15, 1997), we accept INVISTA's intention to audit the eleven facilities listed in your July 28, 2004 letter as sufficient to meet the prompt disclosure requirement under the Audit Policy, in lieu of requiring disclosure of each violation within 21 days. During the course of your evaluation, any changes to the facility list should be noted in your status report to EPA.

Violations that were previously known to the company but not promptly disclosed may not be eligible for penalty mitigation under the Audit Policy. The Agency does have the discretion to mitigate the gravity component of the penalty that it normally would assess for violations that INVISTA may have detected in the past, but did not disclose within 21 days. EPA is willing to consider resolving previously known violations that will be corrected and remedied within this audit process but might not otherwise qualify for Audit Policy protection – such as those specifically described in INVISTA's Purchase Agreement with DuPont dated November 16, 2003 – with reduced gravity-based penalties.

c. Correction and Remediation

The Audit Policy requires a disclosing entity to come into compliance within 60 days of discovery of a violation. The Agency understands that flexibility may be required in meeting the 60-day requirement for correcting some violations. The Agency asks that INVISTA provide as much advance notice as possible if correction of violations will take more than 60 days by submitting a written request to the Agency seeking an extension of the corrections period together with a detailed rationale for the extension. EPA may require a compliance schedule to be prepared and implemented if extensions of the 60-day correction period are sought by INVISTA. In addition, where issuance of a permit is required to attain compliance and INVISTA requests an extension to the 60-day corrections period, EPA may require INVISTA to prepare a schedule for the completion and submission of any permit applications.

If INVISTA discovers or otherwise becomes aware of a concern or concerns that may

present an imminent and substantial endangerment to human health or the environment, and such concern(s) may exist at INVISTA facilities covered by this Agreement, notwithstanding any other language herein to the contrary, INVISTA agrees to address such concern(s) at all covered facilities as expeditiously as possible and promptly take such action as may be necessary to protect human health and the environment. In addition to INVISTA's reporting obligations related to any release or discharge of hazardous substances, contaminants, or pollutants, INVISTA shall notify EPA (initial notice may be oral) of such concern(s) within 24 hours of discovery or becoming aware of such concern(s) and shall notify EPA in writing within three business days of such discovery of INVISTA's proposed remedial action.

3. Reporting

INVISTA will submit a status report detailing its audit activities to EPA every three months throughout the audit period. EPA requests that the status report include a description of any violations found over the prior three months, any actions taken and/or planned to promptly correct such violations, and a brief narrative describing INVISTA's progress toward completing its evaluation. INVISTA's first status report shall be due October 31, 2004, with additional reports due January 31, 2005, April 30, 2005, and July 31, 2005.

In your letter, you suggested that INVISTA will seek expedited resolution under the Audit Policy for certain violations. The Agency is committed to working closely with INVISTA to expeditiously correct violations, however, we do not intend to resolve disclosed violations until the conclusion of INVISTA's evaluation and submission of the final audit report. INVISTA will be required to submit a final audit report that includes information regarding INVISTA's conformance with the Audit Policy, facility compliance, and costs to return to compliance. This report shall be due on or before October 31, 2005.

4. Coordination with Regions and States

Danielle Fidler, of my staff, will serve as the Agency's central point of contact for INVISTA. Ms. Fidler can be reached at (202) 564-0660, e-mail fidler.danielle@epa.gov. Phil Milton, also of my staff, will serve as the technical lead on the case and may be reached at (202) 564-5029, email milton.philip@epa.gov. We will coordinate with the appropriate Regions and together will coordinate with the states regarding INVISTA's disclosures and any issues concerning correction of violations. We understand that INVISTA may choose to independently disclose to state environmental agencies for relief under their audit policies/statutes, however, we request that INVISTA provide the Agency with copies of those disclosures to facilitate our coordination with those states.

B. Information Required at Conclusion of Assessment and Correction

Audit Policy Criteria

To determine whether the violations disclosed by INVISTA meet the criteria contained in the Audit Policy, EPA will need additional factual information specific to each of those criteria.

Please provide us with all available factual information addressing conditions one through nine of the Audit Policy by no later than October 31, 2005. Attached to this letter is a copy of a questionnaire that addresses the information needed by the Agency in order to determine Audit Policy applicability. If you believe you have already provided sufficient information in response to a specific condition, please provide a written reference to this information to the Agency.

2. **Facility Compliance** (You may submit the requested information in tabular form to facilitate your response and our review.)

Pursuant to the Audit Policy, we ask that you provide the following information for each potential violation, if applicable, so that the Agency has complete information on the violations that may have occurred and on each facility's compliance record:

Facility name;
Facility type (if appropriate);
Facility address (street, city, state, zip code);
Date facility began operations;
Nature and description of potential violation(s) and specific regulatory, permit and/or statutory provision violated; (include references to state-mandated requirements where appropriate)
Dates of possible non-compliance;
Chemical(s) involved;
Quantity of materials (lbs.) stored, released, spilled or disposed of;
Capacity of tank(s) or other equipment;
Date emission source(s), tank(s), treatment unit(s), etc., was installed;
Date emission source(s), tank(s), treatment unit(s), etc. began operations;
Brief description of emission source(s), tank(s) or treatment unit(s) etc.,
Date audit team discovered possible noncompliance;
Identify the name, title, and employer of each individual who discovered the violation;
Date EPA notified of possible noncompliance, if earlier than periodic self-disclosure;
Date potential violation was corrected or is estimated to be corrected; and
Date remedial actions were taken and/or are planned to correct potential violation.

3. **Cost of Compliance** (You may submit the requested information in tabular form to facilitate your response and our review.)

For each facility, determine the cost to achieve compliance. Such costs may include items such as: internal staff or outside consultants' time to become familiar with the regulations; determining which chemicals meet/exceed reporting thresholds; preparing forms/plans/permits; submitting forms to appropriate agencies; fees collected by state or other regulatory agencies; release detection equipment; and secondary containment or start-up costs for plan implementation or tank monitoring.

After we have received your response, we will determine the specific violations which occurred, an initial proposed penalty, if any, and whether the Audit Policy applies. It is our goal

to attempt to resolve this matter as expeditiously as possible with your cooperation.

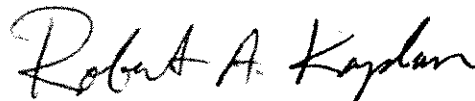
As previously mentioned, we ask that you send us the requested information no later than October 31, 2005. If, at any time, you determine that the company will need more time to provide the requested data and to come into compliance, please submit a proposed schedule and your justification for an extension of time well in advance of the audit deadline.

Please send your status reports and all other correspondence to

Philip Milton, Chemical Engineer
Special Litigation and Projects Division (2248A)
U.S. Environmental Protection Agency
Ariel Rios Building, Room 3124 B
1200 Pennsylvania Ave., NW
Washington, DC 20460

Again, EPA appreciates INVISTA's willingness to self-police, disclose, and correct violations at these newly-acquired facilities. If you have any questions concerning this matter, please contact Danielle Fidler at (202) 564-0660 or Phil Milton at (202) 564-5029.

Sincerely,



Robert A. Kaplan, Director
Special Litigation and Projects Division (2248A)
Office of Regulatory Enforcement

Enclosure

cc Walker Smith, ORE
Samantha Fairchild, US EPA Region 3
Mary Kay Lynch, US EPA Region 4
Gerald Fontenot, US EPA Region 6

SELF-DISCLOSURE QUESTIONNAIRE

Provide the following information for each potential violation at all of the facilities disclosed by INVISTA. Please correlate each answer to the specific violation.

Describe the violation and state the specific regulatory or statutory provision violated.

2. Explain how the violation was discovered. Please be as detailed as possible
3. State whether the violation of a federal, state, or local regulation was discovered by means of a systematic, internal, environmental audit, or through a compliance management system.

If INVISTA believes that the violation was discovered through a "compliance management system," as defined in EPA's Audit Policy, explain, in detail, how the company's practices and procedures leading to the discovery of the violation constitute such a system.

If the violation was discovered by means of an environmental audit, provide the following information:

- A. State the date(s) on which the environmental audit or systematic procedure or practice that identified the violation was being conducted.
- B. State the frequency of environmental audits of the INVISTA facilities involved. State the date(s) on which the last environmental audit was conducted at each facility prior to your disclosure.
- C. State whether the facilities have a written policy or directive to follow up on audit findings to correct identified problems and prevent their recurrence. Provide the Special Litigation and Projects Division (SLPD) with a copy of this written policy or directive.
- D. Describe the relationship between the involved facilities and the person(s) responsible for conducting environmental audits. Explain how INVISTA ensures the auditor's tasks or inquiries are carried out in an objective and unobstructed manner. Include in your answer a discussion of the manner in which personnel, financial, or other potential conflicts of interest are avoided between employees of the facility and the individuals conducting an audit.
- E. Provide a copy of written audit policies and procedures for the facility. The requested policies and procedures should indicate the scope of the audit, the process for examining audit findings, the protocol for communicating audit results to INVISTA management, auditor conflict of interest policy, auditor education and training requirements, and follow-up measures.

4. Was the violation identified through an activity which INVISTA was legally required to perform, such as under a state or federal statute, regulation or permit, or under the terms of a judicial or administrative order or consent agreement? If so, identify the authority under which the activity was required.
5. Is the violation required to be reported under any federal or state statute, regulation or permit? If so, identify each such statute, regulation or permit.
6. State the date on which the violation was discovered. If INVISTA believed additional analysis or information was needed after the audit/systematic procedure or practice to determine whether a violation existed, state the reasons for the additional analysis.
7. If disclosure of the violation was not within twenty-one days of the date of discovery, or such shorter period as may be provided by law, please explain, in detail, the reasons that the violation was not disclosed within twenty-one days of discovery.
8. Identify the name, title, and employer of each individual who discovered the violation.
9. If the violation was discovered by an independent auditor (that is, by a person not employed by INVISTA), provide the date and the manner in which INVISTA was made aware of the violation.
10. Explain in detail all measures taken to correct or remediate the violation. Provide an estimate of the length of time it took or will take to complete these measures. If INVISTA estimates that more than 60 days will be needed to correct the violation, please explain fully and provide the opinion of any technical or engineering expert relied upon to arrive at that estimate.
1. Explain in detail all measures taken or to be taken to ensure that the violation disclosed will not be repeated. Include in your discussion any improvements made to INVISTA's environmental auditing or compliance management systems in an attempt to prevent recurrence of the violation.
12. Did the violation result in any serious actual harm to human health or the environment? Provide a full explanation of how this conclusion was reached.
13. Did the violation present or may it present, any form of endangerment to public health or the environment? Provide a full explanation of how this conclusion was reached.
14. Did the violation violate the specific terms of a judicial or administrative order or consent agreement? If so, please identify the order or agreement.



Tracey L. Mihelic
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July 28, 2004

**VIA EMAIL AND
CERTIFIED MAIL**

Mr. Robert Kaplan
USEPA, Headquarters
Ariel Rios Building
1200 Pennsylvania Ave.
Washington, DC 20460
MC-2248A

Re: Proposed Corporate Audit for INVISTA S.à r.l.

Dear Mr. Kaplan:

Thank you for meeting with us on July 22, 2004. As discussed, INVISTA S.à r.l. ("INVISTA") (a wholly owned subsidiary of Koch Industries, Inc.) is proposing to enter into a corporate auditing agreement with the United States Environmental Protection Agency (the "Agency" or "EPA") addressing ten INVISTA facilities newly acquired from E.I. duPont de Nemours and Company ("DuPont").¹ DuPont and subsidiaries of Koch Industries, Inc. finalized the sale of these assets at 5:00 p.m. on April 30, 2004. The overall transaction involved over 40 sites worldwide, eleven of which are in the United States.

As we discussed during our meeting, INVISTA has begun the process of performing comprehensive audits at ten of the newly acquired U.S. facilities. While INVISTA to date has utilized the EPA's Final Policy on "Incentives for Self-Policing: Discovery, Disclosure, Correction and Prevention of Violations" (the "Audit Policy"), it believes a U.S. corporate auditing agreement with EPA is the best means to effectively assess the facilities compliance under these audits to ensure full compliance with the law.

INVISTA is committed to ensuring that all of its facilities operate in compliance with all environmental laws and regulations. To demonstrate our commitment to superior Safety, Health and Environmental ("EHS") performance, INVISTA is committed to continuing to improve EHS

¹ INVISTA has entered into an agreement to sell the assets located in Kinston and Kentec, North Carolina, and, therefore, at this time, we are not proposing to conduct an audit at these facilities. As noted below, a predisposition compliance audit was conducted in early July at these facilities.

compliance and performance through implementation of its Compliance Assurance Management System ("CAMS").

A principle element of CAMS is compliance management oversight ("Compliance Oversight"), which is oversight by management, legal and technical experts of regulatory applicability determinations and compliance certifications. Other key elements include assigning a compliance system owner for each facility, developing compliance calendars for each site, developing compliance standards for specific subject matter areas (such as INVISTA's Quality Assurance and Quality Control standard, which is designed to ensure the accuracy of all records and reports before submittal), providing sites with guidance on emerging environmental issues, conducting third party as well as internal audits of its operations to ensure compliance with both INVISTA policies and procedures as well as federal and state regulations, and implementation of INVISTA's management of change procedures.

Within days after the April 30, 2004, acquisition of these DuPont facilities, INVISTA began to introduce its EHS Management System or CAMS at the former DuPont sites. As a first step, INVISTA focused on instituting Compliance Oversight, which is oversight of EHS matters by management, legal and technical experts. Elevation of compliance issues to these levels lead to the discovery by INVISTA of benzene NESHAP compliance issues and potential RCRA violations at INVISTA's Texas chemical (intermediate) facilities, which the company promptly disclosed in writing and orally to EPA Region VI and the Texas Commission on Environmental Quality ("TCEQ"). These discoveries in turn led to the decision to expedite comprehensive environmental audits at each of the three Texas intermediate facilities. Our preliminary audit work at these facilities has yielded additional noncompliance concerns, which also will be disclosed. In order to effectively and efficiently proceed with these comprehensive audits, INVISTA proposed entering into a Letter Agreement with Region VI to conduct a multi-facility audit within that Region. A letter setting forth this proposal was sent to Region VI on July 13, 2004.

Due to the comprehensive nature of INVISTA's audit process, a corporate wide audit agreement with EPA will constitute a more efficient way to meet INVISTA's compliance goals and to disclose, correct and expeditiously resolve violations under EPA's Audit Policy. Thus, INVISTA proposes that this corporate wide program supersede the Region VI specific proposal and combine those facilities into this agreement

The following sets forth the proposed auditing plan, including the facilities to be audited, the scope of the planned audit, a schedule and process for auditing and disclosing the findings to EPA, and commitments to expeditiously correct any violations found. The process laid out below meets the systematic discovery and other requirements for eligibility under the terms of EPA's Audit Policy for any violations discovered through the proposed audits.

I. Facilities Covered

INVISTA will perform a comprehensive, multi-media, audit and assessment of the following facilities, each of which was acquired by INVISTA on April 30, 2004.

Victoria, Texas: 2695 Old Bloomington Road North, Victoria, TX;
LaPorte, Texas: 12455 Strang Road, LaPorte, TX;
Sabine River Works, Texas: 3055A FM 1006, Orange, TX;
Seaford, Delaware: 25876 DuPont Road, Seaford, DE;
Waynesboro, Virginia: 400 DuPont Blvd., Waynesboro, VA;
Kinston, North Carolina: P.O. Box 800, Highway 11 North, Kinston, NC;
Camden, South Carolina: 643 Highway 1 South, Lugoff, SC;
Chattanooga, Tennessee: 4501 N. Access Road, Chattanooga, TN;
Athens, Georgia: 110 Voyles Road, Athens, GA;
Dalton, Georgia: 403 Holiday Ave., Dalton, GA; and
Martinsville, Virginia: 1008 DuPont Road, Martinsville, VA.

II. Scope of the Audit

INVISTA will conduct a comprehensive, multi-media, environmental audit of each of the facilities listed above. The audits will cover compliance with the Clean Air Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Toxic Substance Control Act, and other environmental laws. The audits will include an applicability analysis to ensure activities and processes that may trigger regulatory requirements have been identified and assessed. A copy of the Audit Protocol is attached hereto as Attachment 1.

These audits will be conducted by an experienced, third party audit team, Van Breusegen & Associates, Inc. (VBA). VBA are highly qualified environmental auditors, who have been providing environmental auditing, consulting and management system services to industrial and commercial clients since October 1994 and have completed over 800 environmental compliance projects in 47 states in the U.S., three provinces in Canada, and two states in Mexico. The auditors proposed for this effort have completed numerous auditing and compliance projects throughout the United States and have dealt with every major media area, including air (new source review, permitting, Title V, NESHAPs, air modeling, emission inventories), water (SPCC and SWPPP plans, NPDES permitting), waste (RCRA auditing, permitting and training), and development, implementation, and auditing of environmental management systems. Biographies of a number of the auditors are attached hereto as Attachment 2. VBA will be assisted by outside counsel with expertise in environmental regulatory compliance.

III. Schedule

In recognition of the need for comprehensive, high quality, and consistent audits, INVISTA proposes an audit schedule wherein all ten U.S. facilities will be audited over the next 15 months, with the final audit being completed by October 31, 2005. We believe this schedule is

necessary for a number of reasons. The facilities to be audited are highly complex industrial facilities, including the intermediate plants in Texas and fiber manufacturing facilities in the eastern U.S., and the audits proposed by INVISTA will be comprehensive. The audits are initiated by an applicability assessment, where the independent auditors, together with outside legal counsel and INVISTA EHS personnel and EHS counsel will review operations at each facility and determine what federal, state, and local laws and regulations may apply to the operations. In addition, many of the facilities are located at sites where third parties also are located, and in some cases, share certain services with these third parties (e.g., waste water treatment, electricity generation, docks, injection wells). These operations can make audit preparation more complex if we are to ensure a full understanding of respective compliance obligations. All of the factors combine to make thorough audit preparation critical to the success of the overall process. INVISTA has learned from its first audits, already underway in Texas, that considerable effort, sometimes requiring a week or even more, is necessary to develop detailed audit protocols that accurately reflect the number of federal, state, and local requirements applicable to an individual facility.

The schedule also is critical to ensure quality and consistency throughout the process. It is important to the company that these audits address system issues as well as environmental compliance at individual facilities. To achieve this, we are proposing to use the same external, third party audit team for the intermediates and fiber manufacturing facilities which are similar in operation. The audit team will generally consist of 6-10 auditors from VBA supplemented by 2-4 third-party subject-matter experts who team with VBA on a periodic basis. In addition, INVISTA's internal Audit and Compliance Assurance group will attend each audit to ensure that facility personnel, who are not experienced with third-party auditing, understand the process and cooperate fully with the auditors.

The availability of the auditors is also a key factor in proposing the fifteen month schedule. VBA auditors are in some demand as they have engagements with several major companies, including Koch Industries, Inc., Anheuser-Busch Companies, 3M, Madison Gas & Electric, Heinz, Interstate Brands Corporation, and Kimberly-Clark Corporation, to conduct various types of EHS compliance audits. It has been INVISTA's experience, based on the prior experiences of INVISTA's legal and audit departments, that use of the same audit team ensures the highest degree of quality and consistency, which cannot easily be achieved by the use of different auditors even using the same audit protocols. The experience the team will gain by intimately learning facility operations, and carrying that knowledge on to the next facility, is invaluable to the overall process.

Once the actual field audit commences at the facility, it is likely to take several weeks to complete. Based on our experience from the first audits underway at the Texas facilities, it may take several days just for a subject matter auditor to understand fully the operations at the facility. For instance, it has taken a minimum of two to three days to conduct a detailed walk-through of the Victoria facility. Then, auditors conference with facility staff to review the processes of each unit in the facility, including reviewing or developing process flow diagrams, to understand how each unit relates to each other, which is critical to identifying waste streams,

emission points, storage systems, process systems and streams, chemicals used, etc. After this, the auditors conduct their detailed compliance audit, which may involve additional time spent at a particular unit, interviewing employees, and at the end of each day, convening with all the auditors and staff to compare notes, findings, and confirm their understanding of the processes at the facility. Often this requires the auditor to revisit areas previously reviewed as new information becomes available. INVISTA's desire is to allow the auditors sufficient time to gather enough information to provide useful and accurate feedback.

As the audit is ongoing, even before completion of the field work, issues are raised on a daily basis that require further evaluation and review. While the auditors often are able to quickly identify and validate a finding, some issues are more difficult given the complexities of the processes at these facilities and of the various laws and regulations that may apply. Accordingly, these types of issues may require further legal review or more detailed technical analysis. The number of issues requiring more detailed review may vary, but will also impact the length of the audit. A significant amount of time may be spent by the auditors with the facility operations team to explain any noncompliance findings and help the operations staff understand the issue so as to facilitate the development and implementation of corrective action. This is a critical step to ensuring sustainable compliance by the facility.

INVISTA intends to conduct this audit in three phases. These phases involve auditing those facilities that are larger and have more regulated processes first, with those less complex facilities in the last phase. INVISTA will complete all audits by October 31, 2005.

Phase 1: Texas Intermediates Facilities: We have been working on the preliminary assessment of the Victoria site since June 8, 2004 and the Sabine River Works since June 18, 2004. The third-party audit team is currently scheduled to conduct comprehensive audits at each of the three facilities on the following timetable:

Victoria Facility – Commenced July 12, 2004
Sabine River Works Facility – August 9, 2004
LaPorte Facility – August 29, 2004

Phase 2: Fiber Manufacturing Facilities: VBA has proposed to complete the field work at each of the facilities according to the following schedule:

Seaford, Delaware – October 2004
Waynesboro, Virginia – January 2005
Chattanooga, Tennessee – June 2005
Camden, South Carolina – August 2005

Phase 3: Other Facilities

Martinsville, Virginia (machine repair shop): March 2005

Athens, Georgia (mechanical winding and repackaging of synthetic fibers): April 2005

Dalton, Georgia (carpet reclamation center): May 2005

INVISTA will make best efforts to accomplish this schedule and expedite the schedule when possible. In the event that INVISTA is unable to complete the field work on schedule, it will promptly notify EPA and apprise the agency of the revised schedule. Regardless of the audit schedule outlined above, however, INVISTA will continue its ongoing implementation of its CAMS at each of its locations and will conduct periodic reviews of environmental compliance as part of that process. The CAMS requires each facility to conduct ongoing assessments of regulatory applicability and compliance, as well as to have processes to drive continuous improvement in compliance and environmental performance.

To the extent any violations are discovered pursuant to the continuous implementation of CAMS but outside of the audit schedule, INVISTA requests that it be allowed to report those findings in the periodic reports it proposes to file with EPA as set forth in Section VI below. This should allow the process to proceed efficiently both within the company and within EPA.

INVISTA is also conducting topic specific audits at individual facilities. For instance, INVISTA is currently conducting a Title V audit at the Seaford facility since the facility just received a Title V permit. In addition, INVISTA is currently conducting TRI audits at the newly acquired facilities. INVISTA requests that it also be allowed to disclose the results of these additional audits in the periodic reports as set forth in Section IV. INVISTA also has conducted a high level, pre-disposition, audit at its Kinston-Kentec facilities, which, as has been publicly announced, may be sold in the near future.

To the extent that a facility is sold or control otherwise is transferred from INVISTA to an unrelated third party prior to the scheduled audit date, INVISTA will remove that facility from the audit process. INVISTA will advise EPA if any facility is sold or control is otherwise transferred.

IV. Prompt Disclosure

Although EPA's Audit Policy requires noncompliance to be reported within 21 days of discovery, the Agency has previously recognized that in situations where a company steps forward to undertake an audit of multiple facilities, efficiency can be achieved by avoiding iterative disclosures. Accordingly, INVISTA is proposing that it file periodic reports with EPA every 90 days after the date that this Agreement is made final. Each periodic report will set forth all violations discovered during the previous 90 days and the actions taken to correct these violations. (See Section VI below for a description of reports.)

A 90-day reporting schedule is needed to compile and ensure quality review of national audit results. First, development of the reports will require pulling together results from several multimedia audits, any targeted audit results, and any discoveries made during implementation of INVISTA's CAMS. Second, once the draft report is compiled the company proposes to review the draft for quality and completeness. A few weeks will be needed to perform the review and address issues or questions arising in this review. This process will provide EPA with a quality product that will conserve the Agency's time and facilitate rapid resolution of the disclosures. Finally, while reporting is proposed on a 90-day interval, INVISTA is committed to the prompt correction schedule provided in Section V below.

Further, if, during the course of audits, INVISTA discovers violations that pose an immediate threat to public health or the environment, INVISTA will promptly disclose those violations to EPA. Such notification will take place as soon as possible, and no later than three days after discovery.

In addition to the time frames outlined above, INVISTA will comply with all statutory and regulatory reporting requirements (e.g., CERCLA/EPCRA reports).

V. Prompt Correction

INVISTA will strive to promptly correct any noncompliance discovered as a result of this process. INVISTA proposes that corrective action will be completed within sixty (60) days, unless the nature of the noncompliance requires more than 60 days to correct. In such situations, INVISTA proposes to provide notice to EPA in its periodic reports. The notice will include a description of the non-compliance, details on proposed corrective action and a proposed schedule for implementing the corrective action. INVISTA proposes that it be granted greater than 60 days to correct noncompliance that requires new permits or permit modifications. With respect to other issues that may require greater than 60 days to correct, INVISTA will notify EPA prior to the 60-day deadline and seek an extension of this deadline.

VI. Reporting

INVISTA proposes to provide EPA with periodic reports detailing the findings every 90 days. Each periodic report will specify violations discovered during the reporting period, actions taken and planned to promptly correct the violations, and information necessary for resolution of the violations under the terms of EPA's Audit Policy. (INVISTA will specify in the report those violations for which it seeks expedited resolution under the audit policy and will provide all relevant information for EPA to make such determinations.)

INVISTA will provide EPA with a final audit report within 90 days of the completion of the last scheduled audit. The report will provide all information not already provided that is necessary to reach final resolution of audit results with EPA.

Mr. Robert Kaplan
July 28, 2004
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VII. Coordination with States

INVISTA will coordinate with the TCEQ, Office of Compliance and Enforcement consistent with the Texas Environmental Health & Safety Audit Privilege Act. In addition, we will also work closely with each of the TCEQ Regional Offices where our Texas facilities are located (TCEQ Regions 10 (Beaumont), 12 (Houston) and 14 (Corpus Christi)). This coordination has already been initiated.

INVISTA will coordinate contact with other States and other Regions where Phase 2 and 3 facilities are located. INVISTA has already contacted Region III and is attempting to contact Region IV. INVISTA will submit plans for that coordination after meeting with each affected State and Region.

INVISTA will continue to cooperate with EPA to ensure that the audits are performed in a timely manner and that any necessary corrective action is taken as quickly as possible. INVISTA greatly appreciates EPA's cooperation and expeditious review of this matter. Please contact me with any questions.

Sincerely,



Tracey L. Mihelic

cc: Gerald Fontenot
Region VI, U. S. Environmental Protection Agency

Esteban Herrera
Region VI, U. S. Environmental Protection Agency

Samantha Fairchild
Region III, U. S. Environmental Protection Agency

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Joe Coco
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